
SECTION 1000 INTRODUCTION TO ECONOMIC DEVELOPMENT AREAS

California currently has four types of Economic Development Areas (EDAs) that have related tax incentives. These areas are:

- Enterprise Zones (EZs);
- Local Agency Military Base Recovery Areas (LAMBRAs);
- Manufacturing Enhancement Areas (MEAs); and
- The Targeted Tax Area (TTA).

Taxpayers who conduct business activities within the boundaries of one of these areas or zones may qualify for special state tax incentives.

In prior years, special tax incentives were also available for taxpayers that conducted business activities within the boundaries of the former:

- Los Angeles Revitalization Zone (LARZ);
- Program Areas; and
- Enterprise Zone (EZ) – City of Lynwood

The LARZ incentives applied to taxable years beginning on or after January 1, 1992, and before January 1, 1998.

The Program Area incentives applied to taxable years beginning on or after January 1, 1985, and before January 1, 1997. For taxable years beginning on or after January 1, 1997, Program Areas were converted to EZs and are entitled to the benefits available to EZs.

The City of Lynwood, formerly a portion of the Mid-Alameda Corridor EZ expired as of October 14, 2001. Refer to the relevant chapters to read about how each tax incentive expired for taxpayer's operating a trade or business in the City of Lynwood.

EDAM 1100	MECHANISMS FOR DESIGNATING ECONOMIC DEVELOPMENT AREAS
EDAM 1200	EXPIRED ECONOMIC DEVELOPMENT AREAS
EDAM 1300	GEOGRAPHIC BOUNDARIES
EDAM 1400	TAX INCENTIVES
EDAM 1500	REFERENCES
EDAM 1600	HIRING CREDIT VOUCHERS

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1100 Mechanisms for Designating Economic Development Areas

EDAM 1110	Enterprise Zone Act / Employment and Economic Incentive Act
EDAM 1120	Local Agency Military Base Recovery Area Act
EDAM 1130	Enterprise Zone Act – Manufacturing Enhancement Area
EDAM 1140	Targeted Tax Area – Government Code Section 7097

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1110 Enterprise Zone Act / Employment and Economic Incentive Act

The *Enterprise Zone Act* and the *Employment and Economic Incentive Act*, which became effective on March 20, 1984, established the mechanisms for designating economic development areas referred to as *Enterprise Zones* (EZs) and *Program Areas* in California. Special tax incentives are available for entities and individuals that operate or invest in a business located within designated EZs or Program Areas.

No more than 42 EZs may be designated at any one time (per Government Code Section 7073). Currently, there are 39 designated EZs. See "*Enterprise Zone Locations and Designation Dates*" - EDAM 1310.

EZ designations are effective for 15 years. An additional 5-year extension may be allowed if the EZ meets certain criteria. The California Department of Housing & Community Development approves extensions via an application process.

1120 Local Agency Military Base Recovery Area Act

The Local Agency Military Base Recovery Area Act, which became effective on October 11, 1993, established the mechanisms for designating Local Agency Military Base Recovery Areas (LAMBRAs) to stimulate growth and development in areas that experience military base closures. A taxpayer that conducts a trade or business within a LAMBRA, and within the first two taxable years after commencing business has a net increase in jobs (defined as 2,000 paid hours per employee per year) of one or more employees in the LAMBRA, may qualify for special incentives.

The law provides for the designation of eight (8) LAMBRAs (per Government Code Section 7113.5). Tax incentives are not available until an area has received final designation from the California Department of Housing & Community Development. Designations are effective for eight years. See "*LAMBRA Locations and Designation Dates*" - EDAM 1320.

1130 Enterprise Zone Act – Manufacturing Enhancement Area

Effective January 1, 1998, the law provides for the designation of two (2) Manufacturing Enhancement Areas (per Government Code Section 7073.8). Both of the Manufacturing Enhancement Areas (MEAs) have been designated. A special tax incentive is available for entities and individuals that operate or invest in a business located within the designated MEA.

Designations expire December 31, 2012. See "*MEA Locations and Designation Dates*" - EDAM 1330.

1140 Targeted Tax Area – Government Code Section 7097

The Targeted Tax Area (TTA) was established to stimulate development in a selected economically depressed area. Special tax incentives are available for entities and individuals that operate or invest in a business located within the designated TTA.

The law provides for the designation of one (1) Targeted Tax Area (per Government Code Section 7097). The Targeted Tax Area designation expires October 31, 2013. See "*TTA Locations and Designation Date*" - EDAM 1340.

1200 Expired Economic Development Areas

The following expired EDAs were operative in prior years:

- *Los Angeles Revitalization Zone (LARZ);*
- *Program Areas; and*
- *City of Lynwood Enterprise Zone (expired 10/14/2001)*

The LARZ was established in the areas of Los Angeles County that suffered from civil disturbances in April and May 1992. Taxpayers conducting business activities in this zone could qualify for special state tax incentives similar to the EZ. The LARZ became operative on May 1, 1992, and the tax incentives were applicable for taxable years beginning on or after January 1, 1992 and before January 1, 1998. The LARZ geographic area expired on December 1, 1998. See "*LARZ Locations and Designation Date*" - EDAM 1350.

The first Program Areas were designated October 15, 1986. Program Area tax incentives were available for taxable years beginning before January 1, 1997. Taxpayers conducting business activities within a Program Area had to be certified by the California Technology, Trade & Commerce Agency as meeting specified work force standards to take advantage of the Program Area tax incentives. Program Areas were converted into EZs effective for taxable years beginning on or after January 1, 1997. All carryover credits and NOLs were converted into EZ carryovers for use in future years. The expiration dates of the Program Areas remained unchanged as a result of the conversion. See "*Program Area Locations and Designation Dates*" - EDAM 1360.

A number of EZs designated October 15, 1996 were set to expire on October 14, 2001. All of the EZs were extended for 5 years except a portion of the Mid-Alameda EZ-City of Lynwood. The incentives for the City of Lynwood expired on October 14, 2001 (see the chapters for the Hiring Credit; Employee Wage Credit; Sales or Use Tax Credit; Business Expense Deduction; Net Interest Deduction, and Net Operating Loss for further discussion of the expiration of each incentive).

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1300 Geographic Boundaries

EDAM 1310	Enterprise Zone Locations and Designation Dates
EDAM 1320	LAMBRA Locations and Designation Dates
EDAM 1330	MEA Locations and Designation Dates
EDAM 1340	TTA Locations and Designation Date
EDAM 1350	LARZ Locations and Designation Dates
EDAM 1360	Program Area Locations and Designation Dates

A business may qualify for special tax incentives if it operates or invests in a trade or business located within the geographic boundaries of one of the EDAs. EDA geographic boundary information is available from:

**CALIFORNIA DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT
ENTERPRISE ZONE PROGRAMS
2710 GATEWAY OAKS DRIVE
NORTH BUILDING, STE 190
SACRAMENTO, CA 95833**

Telephone: (916) 263-0485

FAX: (916) 263-0489

Internet Website: www.hcd.ca.gov/cdbg/ez/

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1310 Enterprise Zone Locations and Designation Dates

Portions of the following areas were officially designated as EZs on the dates shown below. AB 46 (chaptered October 9, 2001) allows for the designation of three additional EZs. The California Department of Housing & Community Development (HCD) has not yet designated these additional three EZs.

Location	Designation Date	Expiration Date
Altadena/Pasadena	04/10/92	04/09/2007
Antelope Valley	02/01/97	01/31/2012
Bakersfield/Kern (SE Bakersfield) *	10/15/86	10/14/2006
Calexico	10/15/86	10/14/2006
Coachella Valley	11/11/91	11/10/2006
Delano	12/17/91	12/16/2006
Eureka	10/15/86	10/14/2006
Fresno	10/15/86	10/14/2006
Kings County	06/22/93	06/21/2008
Lindsey	10/06/95	10/05/2010
Long Beach	01/08/92	01/07/2007
Los Angeles-Central City *	10/15/86	10/14/2006
Los Angeles-Eastside *, *	01/11/88	01/10/2003
Los Angeles-Harbor Area *, *	03/04/89	03/03/2004
Los Angeles-Mid Alameda Corridor (NOTE: The City of Lynwood expired on 10/14/01)	10/15/86	10/14/2006
Los Angeles-NE Valley (formerly Pacoima)	10/15/86	10/14/2006
Madera *, *	03/04/89	03/03/2004
Merced/Atwater	12/17/91	12/16/2006
Oakland	09/28/93	09/27/2008
Oroville	11/06/91	11/05/2006
Pittsburg *, *	01/11/88	01/10/2003
Porterville	10/15/86	10/14/2006
Redding/Anderson (Shasta Metro)	11/06/91	11/05/2006
Richmond	03/02/92	03/01/2007
Sacramento Army Depot *, *	04/05/89	04/04/2004
Sacramento-Florin/Perkins *, *	04/05/89	04/04/2004
Sacramento-Northgate *	10/15/86	10/14/2006
San Bernardino/Riverside (Agua Mansa)	10/15/86	10/14/2006

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San Diego- Metropolitan (SE Barrio Logan)	10/15/86	10/14/2006
San Diego- San Ysidro/Otay Mesa	01/28/92	01/27/2007
San Francisco	05/28/92	05/27/2007
San Jose	12/31/86	12/30/2006
Santa Ana	06/08/93	06/07/2008
Shafter	10/04/95	10/03/2010
Siskiyou County (Shasta Valley)	06/22/93	06/21/2008
Stockton	06/22/93	06/21/2008
Watsonville	05/01/97	04/30/2012
West Sacramento *, *	01/11/88	01/10/2003
Yuba/Sutter	10/15/86	10/14/2006

*EZs eligible to file an application for a five-year extension period of designation

*Designated as Program Areas and converted to EZs effective for taxable years beginning on or after 1/1/97.

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1320 LAMBRA Locations and Designation Dates

The law provides for the designation of eight (8) LAMBRA's (per Government Code Section 7113.5). There are currently eight (8) LAMBRA's, designated on the dates shown:

Location	Designation Date	Expiration Date
Castle Airport Aviation & Development Center*	06/01/1996	05/31/2012
Southern California Logistics Airport*	02/01/1996	02/20/2010
Mare Island	01/01/1999	12/31/2006
San Bernardino International Airport & Trade Ctr.	04/01/2000	03/31/2008
Alameda Point	06/01/2000	05/31/2008
Mather Field & McClellan Park	07/01/2000	06/30/2008
Liberty Station	06/01/2001	05/31/2009
Tustin Marine Corps Air Station in Tustin	09/01/2001	08/31/2009

* The Southern California Logistics Airport LAMBRA was set to expire on January 31, 2004 and the Castle Airport Aviation & Development Center LAMBRA was set to expire on May 31, 2004. The California Department of Housing & Community Development (HCD) extended the Southern California Logistics Airport LAMBRA expiration date to February 20, 2010, and the Castle Airport Aviation & Development Center LAMBRA to May 31, 2012 (pursuant to the requirements of AB 2875 - Gov't Code Section 7110.5).

NOTE: LAMBRA tax incentives are not available until an area has received final designation from the HCD.

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1330 MEA Locations and Designation Dates

The law provides for the designation of two (2) Manufacturing Enhancement Areas (per Government Code Section 7073.8). Both of the Manufacturing Enhancement Areas were designated on the dates shown:

Location	Designation Date	Expiration Date
Brawley	10/01/98	12/31/2012
Calexico	10/01/98	12/31/2012

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1340 TTA Locations and Designation Date

The law provides for the designation of one (1) Targeted Tax Area (per Government Code Section 7097).

All of the incorporated cities in Tulare County and *portions* of the unincorporated areas of Tulare County received final designation as the TTA, effective November 1, 1998. The TTA expires December 31, 2012. The eight (8) incorporated cities in Tulare County are:

- Dinuba
- Exeter
- Farmersville
- Lindsay
- Porterville
- Tulare
- Visalia
- Woodlake

1350 LARZ Locations and Designation Dates

The zone boundaries were designated 12/31/92 but were effective retroactively for qualified costs paid or incurred on or after 05/01/92 or 09/01/92. **NOTE:** Effective 1/1/96, the LARZ geographic area was re-determined (downsized) to eliminate previously qualified addresses. For taxpayers that operate in the portion of the LARZ that was excluded when the LARZ was downsized, LARZ benefits that were incurred when the LARZ designation was effective are still allowed after downsizing (carryover amounts). In regards to the applicability of LARZ benefits incurred after the downsize of the LARZ, generally, they are no longer available as of the first day of the taxable year beginning on or after the determination date (01/01/1996).

- Compton
- Hawthorne
- Huntington Park
- Inglewood
- Lawndale
- Long Beach
- Los Angeles
- Lynwood
- Pomona
- Signal Hill
- Unincorporated Los Angeles County

NOTE: The LARZ expired on December 1, 1998.

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1360 Program Area Locations and Designation Dates

Portions of the following areas were designated as Program Areas on the dates shown. Designations were effective for fifteen years.

Los Angeles-East Area	01/11/88
Los Angeles- Greater Watts	10/15/86
Los Angeles-Wilmington/San Pedro/Harbor	03/03/89
Madera	03/03/89
Pittsburg	01/11/88
Sacramento-Northgate	10/15/86
Sacramento-Oak Park/Florin-Perkins	04/05/89
S.E. Bakersfield	10/15/86
West Sacramento	01/11/88

NOTE: For taxable years beginning on or after January 1, 1997, Program Areas were converted to EZs and are entitled to the benefits available to EZs.

1400 Tax Incentives

The specific tax incentives available and the relevant California Revenue & Taxation Code (CR&TC) sections, include the following:

EZ

- Hiring Credit CR&TC §17053.74 & 23622.7
- Sales or Use Tax Credit CR&TC §17053.70 & 23612.2
- Business Expense Deduction CR&TC §17267.2 & 24356.7
- Net Interest Deduction CR&TC §17235 & 24384.5
- Net Operating Loss CR&TC §17276.2 & 24416.2

LAMBRA

- Hiring Credit CR&TC §17053.46 & 23646
- Sales or Use Tax Credit CR&TC §17053.45 & 23645
- Business Expense Deduction CR&TC §17268 & 24356.8
- Net Operating Loss CR&TC §17276.5 & 24416.5

MEA

- Hiring Credit CR&TC §17053.47 & 23622.8

TTA

- Hiring Credit CR&TC §17053.34 & 23634
- Sales or Use Tax Credit CR&TC §17053.33 & 23633
- Business Expense Deduction CR&TC §17267.6 & 24356.6
- Net Operating Loss CR&TC §17276.6 & 24416.6

LARZ (REPEALED)

- General Hiring Credit CR&TC §17053.17 & 23623.5
- Construction Hiring Credit CR&TC §17053.10 & 23625
- Sales or Use Tax Credit CR&TC §17052.15 & 23612.6
- Business Expense Deduction CR&TC §17266 & 24356.4
- Net Interest Deduction CR&TC §17233 & 24385
- Net Operating Loss CR&TC §17276.4 & 24416.4

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1500 References

Forms/Publications

FTB1118	Frequently Asked Questions About Local Agency Military Base Recovery Area (LAMBRA) Tax Incentives
FTB 1126	Frequently Asked Questions About Enterprise Zone Tax Incentives
FTB 3553	Enterprise Zone Employee Credit
FTB 3805Z	Enterprise Zone Business Booklet
FTB 3806	Los Angeles Revitalization Zone Business Booklet
FTB 3807	Local Agency Military Base Recovery Area Business Booklet
FTB 3808	Manufacturing Enhancement Area Business Booklet
FTB 3809	Targeted Tax Area Business Booklet
FTB 1158	Guidelines for Businesses Claiming Economic Development Area Tax Incentives

NOTE: Program Area information is available in the FTB 3805Z (Enterprise Zone and Program Area Business Booklet) for taxable years beginning prior to January 1, 1997.

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1600 *Hiring Credit Vouchers*

EDAM 1610 FTB Audit Procedures –Hiring Credit Vouchers
EDAM 1620 Voucher Procedures

To claim an Economic Development Area hiring credit, a taxpayer must obtain a *Form TCA EZ1* (voucher) that certifies the employee meets the eligibility requirements of a qualified employee. Failure to obtain the certification (voucher) results in the taxpayer not meeting all the qualifications of a qualified taxpayer eligible for the hiring credit. The California Revenue & Taxation Code requires taxpayers to retain a copy of the certification and provide it upon request to the Franchise Tax Board.

1610 FTB Audit Procedures –Hiring Credit Vouchers

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